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CREDIT UNION DIVISION  
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## INTERPRETIVE BULLETIN

DATE: August 1, 1995

TO: All State Chartered Credit Unions

FROM: James E. Forney  
Superintendent of Credit Unions

SUBJECT: Charitable Contributions

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Iowa state-chartered credit unions are provided the power to “exercise such incidental powers as may be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.” [see Iowa Code subsection 533.4(11) (1995)].

This “*incidental powers*” authority includes an activity which is convenient or useful in connection with the performance of one of the established activities of the credit union pursuant to its expressed powers. If this connection between an incidental activity and an expressed power does not exist, then the activity is not authorized as an incidental power.

It is recognized that a credit union, like a corporation for profit, has an obligation to contribute its fair share toward community funds that are used for diverse charitable, recreational, or educational needs of the public. The Iowa Credit Union Division views donations meeting this obligation as an activity incidental to a state-chartered credit union’s business within the scope of powers set forth in Iowa Code subsection 533.4(11).

In exercising this incidental power, the board of directors of the state-chartered credit union should consider each of the following conditions when decisions regarding contributions are reached:

- That the organization receiving funds is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code;
- That the organization is located or conducts its activities in the community in which the credit union operates;
- That the organization is primarily philanthropic in nature, receiving and dispensing funds which are set aside for humanitarian purposes;
- That the contribution is in the best interest of the credit union and benefits or promotes the welfare of a reasonable cross-section of its members; and,
- That the contribution is in an amount which is deemed sound given the financial condition of the credit union.